

7-1-503 Regulation of sale by financial institution of its securities -- Solicitation of deposit accounts restricted -- Violations.

- (1) As used in this section, "security" has the same meaning as in Section 61-1-13, except that "security" does not include:
- (a) a certificate of deposit or similar instrument issued by:
 - (i) a bank;
 - (ii) a savings and loan association;
 - (iii) a credit union; or
 - (iv) an industrial bank;
 - (b) a loan participation, letter of credit, or other form of indebtedness incurred in the ordinary course of business by:
 - (i) a bank;
 - (ii) a savings and loan association;
 - (iii) a credit union; or
 - (iv) an industrial bank; or
 - (c)
 - (i) a promissory note or other evidence of indebtedness and the underlying security for it;
 - (ii) a lease of personal property;
 - (iii) a contract to sell real or personal property; or
 - (iv) any other loan or investment sold by a depository institution in the secondary market.
- (2)
- (a) A person subject to the jurisdiction of the department may not, directly or indirectly, issue, offer, offer to sell, offer for sale, or sell a security of which it is the issuer without:
 - (i) the prior approval of the commissioner;
 - (ii) payment of the fee prescribed in Section 7-1-401; and
 - (iii) complying with the rules of the department with respect to securities.
 - (b) The commissioner may extend the approval described in Subsection (2)(a)(i) for one or more additional periods not to exceed six months each:
 - (i) if the person described in Subsection (2)(a) makes written application before the expiration of the period of approval; and
 - (ii) for good cause shown.
- (3)
- (a) A person not otherwise subject to the jurisdiction of the department may not issue, offer to sell, offer for sale, or sell, or otherwise solicit the general public to deposit in an account or to purchase or invest in an instrument creating or evidencing a debtor-creditor relationship, if the account or instrument is represented to be an account with or an instrument issued by a financial institution subject to the jurisdiction of the department, without:
 - (i) the prior approval of the commissioner;
 - (ii) payment of the fee prescribed in Section 7-1-401; and
 - (iii) complying with the rules of the department with respect to securities.
 - (b) Subsection (3)(a) does not apply to:
 - (i) insurance companies that have been issued certificates of authority under Title 31A, Insurance Code;
 - (ii) brokers or dealers registered under:
 - (A) Title 61, Chapter 1, Utah Uniform Securities Act; or
 - (B) the federal Securities Exchange Act of 1934; or

- (iii) nondepository institutions to the extent that the securities are not offered for sale or sold through or by agents, representatives, officers, or employees of an affiliated Utah depository institution; or
 - (iv) out-of-state depository institution with at least one branch in Utah or otherwise offered for sale or sold on its premises.
- (4) The rules of the department:
 - (a) shall, at a minimum, require registration with the department; and
 - (b) may require the use of an offering circular containing such material information as to the nature of the security and the financial condition of the issuer as the commissioner may require to protect the public interest.
- (5) The provisions of Sections 61-1-21, 61-1-21.1, and 61-1-22 apply to violations of this section.

Amended by Chapter 73, 2013 General Session